

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 58th LEGISLATURE - REGULAR SESSION

COMMITTEE ON APPROPRIATIONS

Call to Order: By **CHAIRMAN DAVE LEWIS**, on February 7, 2003 at 3:25 P.M., in Room 102 Capitol.

ROLL CALL

Members Present:

Rep. Dave Lewis, Chairman (R)
Rep. Rosalie (Rosie) Buzzas, Vice Chairman (D)
Rep. Edith Clark, Vice Chairman (R)
Rep. John Brueggeman (R)
Rep. Tim Callahan (D)
Rep. Stanley (Stan) Fisher (R)
Rep. Eve Franklin (D)
Rep. Dick Haines (R)
Rep. Donald L. Hedges (R)
Rep. Joey Jayne (D)
Rep. Carol C. Juneau (D)
Rep. Dave Kasten (R)
Rep. Monica Lindeen (D)
Rep. John Musgrove (D)
Rep. Jeff Pattison (R)
Rep. Rick Ripley (R)
Rep. John Sinrud (R)
Rep. John Witt (R)

Members Excused: Rep. Christine Kaufmann (D)

Members Absent: None.

Staff Present: Jon Moe, Legislative Branch
Mary Lou Schmitz, Committee Secretary

Please Note. These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:

Hearing & Date Posted: HB 361, HB 133, 1/31/2003
Executive Action: HB 425, Table
HB 464, Table

HEARING ON HB 133

Sponsor: REP. LARRY JENT, HD 29, Bozeman

Opening Statement by Sponsor:

REP. JENT said Montana schools are having difficulty recruiting and retaining certified staff. Experienced staff and new college graduates are heavily recruited by out-of-state schools. Only eight states have annual multiplier rates that are lower than Montana's rates. This bill proposes to retain experienced teachers that may otherwise spend their later productive years teaching in other states, by establishing a professional retirement option whereby Teachers' Retirement System (TRS) members aged 55 and older, with 30 years of TRS service credit, can retire on or after July 1, 2005. They would receive the benefit formula factor which is 1.6667% times years of service at a 2% multiplier.

The advantages of this type of pension plan are:

1) It encourages teachers and administrators to extend their teaching career.

2) It rewards those who spend an entire career, 30 plus years, teaching in Montana.

3) It increases the number of available classroom teachers and administrators, and helps secure those teacher shortages in rural areas.

4) It reduces the period when a member is retired but not eligible for Medicare and provides a superior level of replacement income in retirement.

Proponents' Testimony:

Tom Bilodeau, Research Director, MEA/MFT and **appeared on behalf of the Montana School Board Association** spoke from Exhibit 1.

EXHIBIT (aph27a01)

Vern Beffert, President, Montana School Superintendents.

David Senn, Executive Director, Teachers' Retirement System, gave testimony from Exhibit 2.

EXHIBIT (aph27a02)

Ann Curlee, Helena Middle School Science Teacher.

Opponents' Testimony: None

Informational Testimony: None

Questions from Committee Members and Responses:

REP. KASTEN referred to small schools in his area and recalls the ability for small school districts to pay the tenured teachers but had some problems. Some residents were happy when the tenured teachers left because it had a definite impact on their budget. "What would this bill do for that?" **Mr. Bilodeau** said the current system of school funding in the state of Montana basically provides a maximum budget mechanism that imposes a cap on school district budgets. This bill is in response to a true shortage of positions and the difficulty the districts have had to fill those positions. Most small school districts in the state are, budget-wise, capable of funding salaries for their teaching and classified employees. It may not be at the level of funding that they would prefer but they are able to fund those positions. They are experiencing tremendous problems at present, particularly in the more rural areas, in filling those positions and he thinks this bill would help.

REP. MUSGROVE referred to Mr. Senn's testimony, saying he had indicated that California had implemented a plan such as this but with a little less multiplier. **Mr. Senn** said the state of California's multiplier is stepped so the next year it goes up a bit, about 20% increase in the total multiplier. **REP. MUSGROVE** suggested a model to be implemented to get the fiscal note down. **Mr. Senn** said this bill takes a multiplier from 1.6667% to 2%. Anything in between will be cheaper.

REP. JUNEAU referred to the fiscal note, the long range impact, and the General Fund contribution increasing each year at an annual rate of 5%. "Will this continue to grow?" **Mr. Senn** said, "The 5% comes from the assumption based on actuarial experience. That is about what the total salaries are increasing in the system. The short answer is yes and they expect that to grow every year." **REP. JUNEAU** referred to the county levy and asked if those funds would continue to grow each year as well, **Mr. Senn** said, "No, they would not expect that to grow at the same rate. The impact from the county levels comes from a different process. The funding for the bill is statutory appropriations. The state General Fund will pay the full cost of this bill. The county's cost comes from retirement."

REP. HEDGES referred Mr. Beffert to his analysis to put forth this piece of legislation and asked, "Was their consideration to take a like amount of money and put it into the entry level pay

scale of teachers and what would that do to your recruitment success?" **Mr. Beffert** said the formal assessment has not been done on that but they believe that would make a difference for education. **REP. HEDGES** asked if there has been any tracking on the rising cost of health care and does it have any affect on early retirement? **Mr. Beffert** said, "To my knowledge, none."

In answer to a question from **REP. FISHER**, **Mr. Senn** said schools will often induce teachers to leave early because the teacher's salary schedule, which includes steps where they move up to the top of the matrix the longer they're in the system, and towards the end of their career, if they could hire somebody at the bottom of the matrix, the salary level for an entry teacher, they could save some money.

CHAIRMAN LEWIS asked, "What would be the situation if a retired school superintendent would choose to go back to work. Would he get the retirement increase?" **Mr. Senn** said under this bill, the increased multiplier would not be paid until July 1, 2005. It will not be an overnight windfall for anyone. Those who are currently retired but wish to come back into the system, have to do so for a minimum of two full years. If they work half time it would be four years.

Exhibit 3 was given to Secretary after the Hearing.

EXHIBIT (aph27a03)

Closing by Sponsor:

REP. JENT closed the Hearing on HB 133.

HEARING ON HB 361

Sponsor: **REP. JOHN WITT, HD 89, Carter**

Opening Statement by Sponsor:

REP. WITT said the bill is an act decreasing the local match required for funds expended from the Treasure State Endowment Regional Water System, State Special Revenue Account. This bill would reduce the current match from a one-to-one state and local to a three-to-one. The bill also strikes the provision in Section 1, line 20. This will simplify the statute considerably and will keep the large regional water systems in Montana affordable.

{Tape: 1; Side: A; Approx. Time Counter: 0 - 29.7}

Proponents' Testimony:

REP. WITT read a letter from **REP. JONATHON WINDY BOY, HD 92**, a member of the Chippewa-Cree Tribal Council; "According to the Constitution of the state of Montana, all persons are born free and have certain inalienable rights. They include the right to a clean and healthful environment and the rights to pursue life's basic necessities. The most basic necessity of life is clean water. I come before the committee today to offer my full support for HB 361. HB 361 will increase the state's share for the North Central Regional Water Authority to \$5.2 million over the life of the project. This would allow the Rocky Boy North Central Regional Water System to enhance the North Central Regional Water Authority and bring clean water to all along the High-Line and in north central Montana. I urge favorable action on HB 361. Thank you, **JONATHON WINDY BOY.**"

Rick Knick, Chairman, Dry Prairie Rural Water System, said these regional water projects are just being started in the state and it is important that they are successful early on. There are several other projects on the drawing boards right now. There is a sunset provision and in ten years the Legislature is going to have to look at that again to see if they want to extend that sunset for other projects. The existing fund should and will support the two existing systems that are authorized in Congress. The cost share issue here originally started with the debt/credit for cities that have high debt on their existing water systems. That only reduces their debt down to poverty so when they come in with the Regional Water System to add more debt, it is a burden on the communities.

Annmari Robinson, Coordinator, North Central Regional Water System and Deputy Director for Bear Paw Development testified from Exhibit 4.

EXHIBIT (aph27a04)

REP. JOHN MUSGROVE, HD 91, Havre, said the ability for any community or region to grow is directly proportional to the amount of water they have available and that will give us economical development and it will maintain the stability of that area.

Mike Murphy, Montana Water Resources Association, said this bill will help facilitate something that most of us take for granted and that is good quality, dependable water. He feels this bill will expedite these projects to make it more economical and feasible from an operational perspective.

Cary Hegreberg, Montana Contractors' Association, said he supports the bill because there might be some major construction activity in Montana. This is a great project for a part of Montana that is economically depressed and it certainly would be a benefit to some of his membership.

Sarah Carlson, Montana Association of Conservation Districts.

Opponents' Testimony: None

Informational Testimony:

John Tubbs, Department of Natural Resources and Conservation (DNRC) explained Exhibit 5.
EXHIBIT (aph27a05)

Jim Edgcomb, Manager, Treasure State Endowment Program (TSEP) said he will be available for questions.

Questions from Committee Members and Responses:

In response to a question from **REP. HEDGES** concerning what it will do to the state to take on additional water projects, **Mr. Tubbs** said it will be a challenge to keep a three-to-one cost ratio for new projects. Under current law it can't be done the way it is worded. With a very simple removal of the sunset, it can go a long way funding additional regional water projects, even at a three-to-one. We can be more aggressive on how to invest the earnings once the construction schedule is known.

REP. LINDEEN asked Mr. Tubbs if the bill can be amended to extend it for about five more years. **Mr. Tubbs** said, "No."

REP. LINDEEN asked the sponsor if he had considered adding that extension to this bill. **REP. WITT** said, "Yes, that was a possibility but he didn't want to confuse the issue at this point and Mr. Tubbs said a simple majority would do it."

REP. BUZZAS said, "These are the projects they know about now but could an emergency project come up? Also, what might the level of federal funding be?" **Mr. Tubbs** said these types of projects have long range planning so no emergency is anticipated. The President's budget actually removed significant amounts of money out of the Bureau of Reclamation Fund Regional Water Project. However, Congress has shown a large propensity to fund these Regional Water Systems. The needs are great right now so Congress is struggling to find money.

REP. FISHER asked Mark Simonich, Director, Department of Commerce to elaborate on some of the questions. **Mr. Simonich** said changing the one-to-one to a three-to-one match means that the state will pick up a larger piece of the cost of these two projects. When the Regional Fund was put into place, the money was diverted in over a particular time, calculating that over that period of time enough money would be generated to pay the state's desired portion of those two projects. They may not have the money in the account when particular parts of the construction are taking place. The way to pay the bill at the time is to sell bonds and then use the proceeds in the trust as the debt service on the bonds. However, he does have concerns.

{Tape: 1; Side: B; Approx. Time Counter: 0 - 29.6}

In answer to questions from **REP. JUNEAU**, **Mr. Tubbs** said in the current form of the bill, the geographical description of the two Regional Water Systems is fairly well defined. He suggests that the Regional Water System is a system that has supplied water through the Regional Water authority. There is a statute now that creates Regional Water authorities like North Central and Dry Prairie. As to the issue of administrative appropriations, those go to the Department of Natural Resources and Conservation. There is one FTE and the operating monies to fund that position. There is \$130,000 a year to Dry Prairie and \$135,000 a year to North Central. Those two appropriations are dependent on passage of HB 176.

REP. LINDEEN asked **Mr. Tubbs** to give his opinion on selling bonds. **Mr. Tubbs** said the last thing they want to do is sell bonds. If they are really able to achieve large federal appropriations to move these projects forward, they may very well propose selling bonds. They would probably recommend general obligation bonds and then pay them back with interest revenues, however, HB 361 decreases the likelihood.

REP. KASTEN said he will do everything he can to keep these water projects going. "How would it impact this project if the bill was amended to a two-to-one?" **Mr. Knick** said they looked at several different options. The issue is, will we have enough funds to fund future projects coming on line. This project was started in 1992, authorized in 2000. The North Central Project started on their project before 1992. There is a fear that there are two other projects just now getting organized and that they will be looking for monies out of this fund in the near future and if that happens he would be the happiest man in the state but Congress does not move that fast. In regard to the two-to-one match, they have some problems in some of the communities that even a two-to-one match will bring them down to the hardship

level. There is a target rate that the state has set that they take the median household income and determine how much the resident can afford to pay for water. That is the target rate and some cities are already over that target rate.

In answer to a question from **REP. KASTEN, Mr. Edgcomb** said they tightened up the language to try to describe these types of systems as being in large geographical areas and where multiple jurisdictions would be involved so they are not seeing small systems, or single towns or other situations trying to come in to utilize this program.

REPS. BUZZAS, RIPLEY, LINDEEN to **REP. WITT** for further explanation and comments.

CHAIRMAN LEWIS referred to the sunset on this bill. Somebody is going to get less money than they would if they don't extend the sunset. He would like to know who. **Mr. Tubbs** said, "If the sunset is extended, under current law, he would assume the fund in the Coal Tax Trust Fund would disappear. It is transfer of proceeds within the overall Coal Severance Tax Trust Fund. The proceeds would actually be spent." **CHAIRMAN LEWIS** said, "Right now the interest goes into these projects. If the sunset is not extended, then the interest would go into the General Fund."

Closing by Sponsor:

REP. WITT closed the Hearing on HB 361.

{Tape: 2; Side: A; Approx. Time Counter: 0 - 29}

EXECUTIVE ACTION ON HB 279

Motion: **REP. FRANKLIN** moved that HB 279 DO PASS. After the following discussion the motion was withdrawn.

Discussion:

REP. SINRUD said "Reading the assumptions on the fiscal note, Item #1, instead of taking General Fund, why can't they put the \$135,600 back to the counties for FY 2005?" **CHAIRMAN LEWIS** said it is complicated to put those things together. If **REP. SINRUD** wants to pursue that they can hold off action. **REP. FRANKLIN** withdrew her motion.

EXECUTIVE ACTION ON HB 425

Motion: REP. BUZZAS moved that HB 425 DO PASS.

Substitute Motion/Vote: REP. KASTEN made a substitute motion that HB 425 BE TABLED. Substitute motion carried 14-3 with REPS. BUZZAS, JUNEAU and KAUFMANN voting no on a roll call vote.

EXECUTIVE ACTION ON HB 464

Motion: REP. LINDEEN moved HB 464.

Substitute Motion/Vote: REP. BRUEGGEMAN made a substitute motion that HB 464 BE TABLED. Substitute motion carried 14-5 with REPS. BUZZAS, CALLAHAN, FRANKLIN, KAUFMANN and LINDEEN voting no on a roll call vote.

CHAIRMAN LEWIS adjourned the meeting.

{Tape: 2; Side: B; Approx. Time Counter: 0 - 9.7}

ADJOURNMENT

Adjournment: 5:00 P.M.

REP. DAVE LEWIS, Chairman

MARY LOU SCHMITZ, Secretary

DL/MS

EXHIBIT (aph27aad)